

PUBLIC DISCLOSURE

October 24, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Central Bank of Kansas City
Certificate Number: 17009

2301 Independence Avenue
Kansas City, Missouri 64124

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Kansas City Regional Office

1100 Walnut St, Suite 2100
Kansas City, Missouri 64106

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of the small business loans are within the institution's assessment area.
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among businesses of different revenue sizes.
- The bank did not receive any Community Reinvestment Act (CRA)-related complaints since the previous evaluation; therefore, this factor did not affect the rating.
- The bank's community development services and qualified investments and donations enhanced the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Central Bank of Kansas City (CBKC) operates from its main office and a limited service branch located in Kansas City, Missouri. Both branches are located in Jackson County, which is part of the Kansas City, Missouri-Kansas (MO-KS) Metropolitan Statistical Area (MSA). The bank continues to be wholly owned by Central Bancshares of Kansas City, Inc., a one-bank holding company. No merger or acquisition activities have occurred since the previous evaluation, and no branches were closed since the previous evaluation. The bank has been certified as a Community Development Financial Institution (CDFI) since 1998. A certified CDFI is a specialized financial institution that works in market niches underserved by traditional financial institutions. The bank received an Outstanding rating at its previous FDIC Performance Evaluation on December 14, 2015, based on Small Institution Examination Procedures.

CBKC is primarily focused on commercial lending. The bank offers several types of commercial loans, including commercial real estate, development, construction, and working capital loans. The bank also offers a limited number of automobile-secured, and certificate of deposit-secured consumer loans. In addition, CBKC participated in the Small Business Administration's Paycheck Protection Program (PPP), which was established in 2020 to provide relief financing to small businesses during the Coronavirus Disease 2019 (COVID-19) pandemic. The bank originated 127 PPP loans in 2020 totaling \$20.7 million, and 127 PPP loans in 2021 totaling \$15.9 million.

CBKC offers a variety of traditional deposit products including personal and business checking, savings, money market, certificates of deposit, and individual retirement accounts. Alternative banking services are also available and include online banking, e-statements, bill pay, and mobile banking. The bank also operates two ATMs located at each of its locations.

CBKC holds partial ownership of Central Payments, LLC, a prepaid card issuer and payments program company. Central Payments was wholly-owned by CBKC until August 8, 2022, when the bank sold its controlling interest. Central Payment operates out of Dell Rapids, South Dakota.

As of June 30, 2022, the institution reported total assets of \$347.2 million, total loans of \$224.2 million, and total deposits of \$302.8 million. The following table shows the distribution for each loan category by dollar volume.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	16,297	7.2
Secured by Farmland	1,319	0.6
Secured by 1-4 Family Residential Properties	936	0.4
Secured by Multi-family (5 or more) Residential Properties	7,555	3.4
Secured by Non-farm Non-Residential Properties	97,220	43.4
Total Real Estate Loans	123,327	55.0
Commercial and Industrial Loans	96,186	42.9
Agricultural Production and Other Loans to Farmers	-	-
Consumer	227	0.1
Obligations of State and Political Subdivisions in the U.S.	-	-
Other Loans	5,187	2.3
Lease Financing Receivables (net of unearned income)	-	-
Less: Unearned Income	(764)	(0.3)
Total Loans	224,163	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. CBKC designated one assessment area that includes Platte, Clay, Jackson, and Cass counties in Missouri, and Johnson and Wyandotte counties in Kansas. All of the counties in the bank's assessment area are located in the Kansas City, MO-KS MSA. The bank's assessment area has not changed since the prior evaluation.

Economic and Demographic Data

The bank's assessment area consists of 483 census tracts, which includes 78 low-, 107 moderate-, 149 middle-, and 130 upper-income census tracts. The area also includes 19 census tracts that have not been assigned an income classification. The bank's main office is located in a low-income census tract, and the bank's branch office is located in moderate-income census tract. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	483	16.1	22.2	30.8	26.9	3.9
Population by Geography	1,833,061	9.8	21.4	36.1	32.4	0.3
Housing Units by Geography	786,988	11.6	22.6	36.4	28.9	0.5
Owner-Occupied Units by Geography	464,339	6.2	17.5	38.1	38.0	0.2
Occupied Rental Units by Geography	251,928	17.0	30.3	35.5	16.5	0.7
Vacant Units by Geography	70,721	27.6	28.7	28.3	13.4	1.9
Businesses by Geography	166,278	7.4	18.6	33.4	38.7	1.9
Farms by Geography	4,401	5.3	16.1	39.8	38.4	0.4
Family Distribution by Income Level	461,665	21.2	17.3	20.2	41.2	0.0
Household Distribution by Income Level	716,267	23.5	16.6	17.6	42.3	0.0
Median Family Income MSA - 28140 Kansas City, MO-KS MSA		\$72,623	Median Housing Value			\$163,785
Families Below Poverty Level		9.1%	Median Gross Rent			\$860
Source: 2015 ACS and 2021 D&B Data						
Due to rounding, totals may not equal 100.0%						
(*) The NA category consists of geographies that have not been assigned an income classification.						

According to 2021 D&B data, services industries represent the largest portion of businesses in the assessment area with 40.3 percent; followed by non-classifiable establishments at 18.0 percent; retail trade at 11.0 percent; and finance, insurance, and real estate at 10.6 percent. In addition, 89.7 percent of businesses in the assessment area operate from a single location, and 63.0 percent have four or fewer employees.

Competition

CBKC operates in a highly competitive market. According to June 30, 2022 FDIC Deposit Market Share data, there are 120 financial institutions operating from 670 locations in the Kansas City, MO-KS MSA. CBKC ranked 35th with 0.35 percent of the deposit market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the community's credit needs. This information helps determine whether local financial institutions are responsive to these needs. Further, these discussions reveal indications of the credit opportunities available.

Examiners utilized an existing contact from an economic development organization that serves the Kansas City, MO-KS MSA. The contact indicated that the local economy is stable with gradual growth. They noted growth is especially prevalent in the advanced manufacturing sectors of engineering and architecture. Despite a strong housing market in the area, there is a credit need for additional affordable housing. The contact identified increased investment in small businesses, especially start-ups, as another credit need. The contact also indicated that the COVID-19 pandemic had a substantial impact on area businesses, particularly the services and retail sectors, due to many people continuing to work remotely. Lastly, the contact indicated local financial institutions are involved in the community; however, there is room to increase participation to address local credit needs.

Credit Needs

Considering information from economic and demographic data, the community contact, and bank management, the primary credit needs in the assessment area are small business and home mortgage loans.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 14, 2015, to the current evaluation dated October 24, 2022. Examiners used Interagency Small Institution Evaluation Procedures to evaluate the bank's performance. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix. This evaluation does not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's major product line is commercial lending. This conclusion considered the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period. Examiners did not review residential real estate and agricultural loans, as they represent a minimal portion of the bank's lending and are not a business focus. The bank's lending focus and product mix remained consistent throughout the evaluation period.

Bank management stated that the bank's 2021 small business loans are representative of the bank's lending during the evaluation period. Therefore, examiners reviewed all small business loans originated or renewed in 2021, which included 170 loans totaling \$26.5 million. For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. Additionally, examiners reviewed all loans originated within the assessment area to evaluate the Geographic Distribution and Borrower Profile criteria. The 2021 D&B data provided a standard of comparison for the bank's small business lending performance. Although loans are analyzed by both number and dollar volume, examiners emphasize performance by number of loans, as it is a better indicator of the number of businesses served.

The bank voluntarily provided information regarding community development services, and qualified investments and donations for CRA consideration. Examiners reviewed all qualified investments and services during the evaluation period.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CBKC demonstrated outstanding performance under the Lending Test. The Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, Borrower Profile, and Qualified Investments and Services support this conclusion.

Loan-to-Deposit Ratio

CBKC's average net loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's ratio, calculated from Reports of Condition and Income data, averaged 90.3 percent over the previous 27 calendar quarters from December 31, 2015, to June 30, 2022. The bank's loan-to-deposit ratio exceeds that of other similarly situated institutions, as shown in the following table. Examiners selected similarly situated institutions based on their asset size, geographic location, and commercial lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2022 (\$000s)	Average Net Loan- to-Deposit Ratio (%)
Central Bank of Kansas City, Kansas City, MO	347,187	90.3
Freedom Bank, Overland Park, KS	216,177	88.5
Community Bank of Raymore, Raymore, MO	437,357	54.4
Source: Reports of Condition and Income 12/31/2015 – 6/30/2022		

Assessment Area Concentration

The bank originated a majority of its small business loans inside its assessment area. The following table presents a breakdown of lending inside and outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	119	70.0	51	30.0	170	19,123	72.1	7,415	27.9	26,538
Source: Bank Data										

Geographic Distribution

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. Examiners focused on the percentage of lending in low- and moderate-income census tracts. The following table indicates the bank's performance in low- and moderate-income census tracts significantly exceeds D&B data regarding the percentage of businesses operating in the same census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	7.4	36	30.3	5,598	29.3
Moderate	18.6	35	29.4	7,211	37.7
Middle	33.4	26	21.8	3,295	17.2
Upper	38.7	21	17.6	2,728	14.3
Not Available	1.9	1	0.8	291	1.5
Totals	100.0	119	100.0	19,123	100.0
<i>Source: 2021 D&B Data, Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. Examiners focused on the percentage of small business loans to operations with gross annual revenues of \$1 million or less. The bank originated a notable number of loans to businesses where revenue was not available due to the bank's participation in the Small Business Administration's PPP. Specifically, the PPP did not require the collection of revenue information. Assessing the bank's performance excluding loans where revenue was not available, the percentage of loans to businesses with revenues of \$1 million or less was 86.7 percent, which is comparable to the percentage of businesses in this revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.5	78	65.5	8,299	43.4
>\$1,000,000	4.9	12	10.1	4,044	21.1
Revenue Not Available	9.6	29	24.4	6,780	35.5
Total	100.0	119	100.0	19,123	100.0
<i>Source: 2021 D&B Data, Bank Data</i>					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

QUALIFIED INVESTMENTS AND SERVICES

Although not required under the Lending Test, the bank performed a significant volume of qualified investments and community development services. This significant volume of community development activity contributed to the bank's Outstanding CRA rating. The bank activities in the assessment area included the following: 95 community development services, 125 qualified donations totaling \$134,115, and 13 qualified investments totaling \$103 million. Of the bank's 95 services, 65 were targeted to low- or moderate-income youth focusing on financial literacy.

The bank's community development investments were through the New Market Tax Credit (NMTC) program. The NMTC program incentivizes community development and economic growth investments through tax credits, which attract private investments to distressed

communities. The following table presents a breakdown of the bank's qualified investments and donations.

Qualified Investments and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	2	22,000	0	0	5	35,000	7	57,000
2019	0	0	0	0	0	0	3	26,000	3	26,000
2020	0	0	1	6,000	0	0	1	11,000	2	17,000
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	1	3,000	0	0	0	0	1	3,000
Subtotal	0	0	4	31,000	0	0	9	72,000	13	103,000
Qualified Grants & Donations	12	10	109	123	0	0	4	1	125	134
Total	12	10	113	31,123	0	0	13	72,001	138	103,134
<i>Source: Bank Data</i>										

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.